

**CITY OF IRON MOUNTAIN**  
**REPORT ON FINANCIAL STATEMENTS**  
(with additional information)  
For the Year Ended June 30, 2008

# CITY OF IRON MOUNTAIN

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**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*A Regional Firm with Offices in Michigan and Wisconsin*

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**INDEPENDENT AUDITORS' REPORT**

**Members of the City Council  
City of Iron Mountain  
Iron Mountain, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iron Mountain ("City"), Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of the City of Iron Mountain, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedules of revenues and expenditures – budget and actual, included as "other supplemental information", are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of revenues and expenditures – budget and actual, included as "other supplemental information", have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
December 4, 2008

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Iron Mountain's financial performance provides an overview of the City's financial activities for the year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$1,280,115 or 3.5%, for the year ended June 30, 2008. The net assets of our governmental activities increased \$572,966 or 2.0% while the net assets of our business type activities (Water Utility and Sewer Funds) increased \$707,149 or 9.0%.
- During the year ended June 30, 2008 the City's governmental revenues exceeded expenditures by \$572,966. This compares to an excess of revenues over expenditures of \$1,552,488 for the year ended June 30, 2007. The decrease of \$979,522 was primarily the result of a decrease in state and federal grant revenues in the current year compared to the prior year.
- During the year ended June 30, 2008 the City's business-type activities revenues exceeded expenses by \$707,149. This compares to an excess of revenues over expenses of \$719,284 for the year ended June 30, 2007. The decrease of \$12,135 was primarily a result of the following:

Decrease in federal grants and other miscellaneous revenues	\$ (79,233)
Increase in charges to customers for water and sewer services	142,485
Increase in operating expenses	76,050
Increase in net non-operating expenses	1,044
Decrease in contributions in aid of construction	(2,677)
Decrease in net transfers from Capital Improvement Funds	<u>(149,814)</u>
Total	<u>\$ (12,135)</u>

- The total cost of all of the City's programs was \$8,962,842 for the year ended June 30, 2008 and \$8,787,872 for the year ended June 30, 2007, for an increase of \$174,970 or 2%. The increase, which is not considered a significant amount, can be attributed to normal increases in personnel costs, including retirement payoffs, increased DDA/Main Street fund-raising expenditures, and increased Motor Vehicle and Equipment Fund expenses coupled with decreased interest on long-term debt and Sewer Fund expenses.
- The general fund reported an excess of expenditures over revenues for the year ended June 30, 2008 of \$(72,309), \$91,071 less than the budgeted excess of \$(163,380). The excess of \$(72,309) was 1.5% of general fund revenues of \$4,688,605.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

## Reporting the City as a Whole

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question... These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Government activities – Most of the City's basic services are reported here including public safety, public works, parks and recreation and general administration. Property taxes, franchise fees, state shared revenues, and state and federal grants fund most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's Water and Sewer Departments are reported here.

## Reporting the City's Most Significant Funds

The fund financial statements provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- *Government funds* – Most of the City's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's

Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Equipment Fund.

### The City as a Trustee

The City is the trustee, or *fiduciary*, of tax receipts that are collected for other agencies and held for periodic payment to those agencies. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these funds from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

The City's combined net assets at June 30, 2008 increased \$1,280,115 from June 30, 2007 as shown in Table 1.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 6,551,420	\$ 6,836,963	\$ 2,546,497	\$ 2,244,651	\$ 9,097,917	\$ 9,081,614
Other assets	872,597	-	-	-	872,597	-
Capital assets (net)	<u>24,709,828</u>	<u>25,604,106</u>	<u>10,737,220</u>	<u>10,465,969</u>	<u>35,447,048</u>	<u>36,070,075</u>
Total assets	<u>32,133,845</u>	<u>32,441,069</u>	<u>13,283,717</u>	<u>12,710,620</u>	<u>45,417,562</u>	<u>45,151,689</u>
Long-term debt outstanding	(2,224,493)	(2,852,839)	(4,390,000)	(4,480,000)	(6,614,493)	(7,332,839)
Other liabilities	<u>(339,122)</u>	<u>(590,966)</u>	<u>(295,079)</u>	<u>(339,131)</u>	<u>(634,201)</u>	<u>(930,097)</u>
Total liabilities	<u>(2,563,615)</u>	<u>(3,443,805)</u>	<u>(4,685,079)</u>	<u>(4,819,131)</u>	<u>(7,248,694)</u>	<u>(8,262,936)</u>
Net Assets:						
Invested in capital assets, net of related debt	22,518,867	22,771,473	6,347,220	5,985,969	28,866,087	28,757,442
Restricted for debt service	1,771,783	1,680,718	-	-	1,771,783	1,680,718
Unrestricted	<u>5,279,580</u>	<u>4,545,073</u>	<u>2,251,418</u>	<u>1,905,520</u>	<u>7,530,998</u>	<u>6,450,593</u>
Total net assets	<u>\$ 29,570,230</u>	<u>\$ 28,997,264</u>	<u>\$ 8,598,638</u>	<u>\$ 7,891,489</u>	<u>\$ 38,168,868</u>	<u>\$ 36,888,753</u>

Net assets of the City's governmental activities stood at \$29,570,230. Unrestricted net assets – the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,406,983.



Net assets of the business-type activities stood at \$8,598,638. Unrestricted net business assets were \$2,251,418. In general, the business-type activities unrestricted net assets should be used to finance operations of our Water and Sewer Funds.

Table 2 outlines changes in the City's net assets.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<b>Program revenues:</b>						
Charges for services	\$ 642,863	\$ 627,573	\$ 1,671,279	\$ 1,528,794	\$ 2,314,142	\$ 2,156,367
Operating grants	19,782	85,551	-	-	19,782	85,551
Capital grants	179,412	949,625	-	70,200		
<b>General revenues:</b>						
Property taxes	5,092,562	4,957,223	-	-	5,092,562	4,957,223
State revenue sharing	1,665,233	1,899,870	-	-	1,665,233	1,899,870
Unrestricted grants	28,967	41,781	-	-	28,967	41,781
Unrestricted investment earnings	362,257	352,849	81,158	83,580	443,415	436,429
Miscellaneous	<u>148,482</u>	<u>96,559</u>	<u>23,460</u>	<u>32,483</u>	<u>171,942</u>	<u>129,042</u>
<b>Total revenues</b>	<u>8,139,558</u>	<u>9,011,031</u>	<u>1,775,897</u>	<u>1,715,057</u>	<u>9,915,455</u>	<u>10,726,088</u>
<b>Program Expenses:</b>						
General government	1,324,901	1,222,384	-	-	1,324,901	1,222,384
Public safety	2,437,491	2,330,053	-	-	2,437,491	2,330,053
Parks and recreation	138,150	129,464	-	-	138,150	129,464
Cemetery	220,902	165,776	-	-	220,902	165,776
General public works	3,382,907	3,313,627	-	-	3,382,907	3,313,627
Interest on long-term debt	154,462	243,023	-	-	154,462	243,023
Water	-	-	1,171,809	1,161,403	1,171,809	1,161,403
Sewer	-	-	<u>132,220</u>	<u>222,142</u>	<u>132,220</u>	<u>222,142</u>
<b>Total expenses</b>	<u>7,658,813</u>	<u>7,404,327</u>	<u>1,304,029</u>	<u>1,383,545</u>	<u>8,962,842</u>	<u>8,787,872</u>
<b>Excess before transfers and contributions in aid of construction</b>	480,745	1,606,704	471,868	331,512	952,613	1,938,216
<b>Contributions in aid of construction</b>	-	-	310,281	312,958	310,281	312,958
<b>Transfers</b>	<u>92,221</u>	<u>(54,216)</u>	<u>(75,000)</u>	<u>74,814</u>	<u>17,221</u>	<u>20,598</u>
<b>Increase in net assets</b>	572,966	1,552,488	707,149	719,284	1,280,115	2,271,772
<b>Net assets – beginning</b>	<u>28,997,264</u>	<u>27,444,776</u>	<u>7,891,489</u>	<u>7,172,205</u>	<u>36,888,753</u>	<u>34,616,981</u>
<b>Net assets – ending</b>	<u>\$ 29,570,230</u>	<u>\$ 28,997,264</u>	<u>\$ 8,598,638</u>	<u>\$ 7,891,489</u>	<u>\$ 38,168,868</u>	<u>\$ 36,888,753</u>

## Governmental Activities

Table 3 presents the cost of each of the City's five largest activities – Public Safety, Cemetery, Parks and Recreation, General Public Works, and General Government – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Public safety	\$ 2,437,491	\$ 2,330,053	\$ 2,435,923	\$ 2,327,691
Cemetery	220,902	212,091	129,952	115,762
Parks and recreations	138,150	129,464	75,317	35,178
General public works	3,382,907	3,267,312	3,108,111	2,233,272
General government	<u>1,324,901</u>	<u>1,222,384</u>	<u>912,991</u>	<u>786,652</u>
Totals	<u>\$ 7,504,351</u>	<u>\$ 7,161,304</u>	<u>\$ 6,662,294</u>	<u>\$ 5,498,555</u>

## Business-type Activities

Revenues for the City's business-type activity totaled \$1,671,279 for fiscal year 2008 and \$1,528,794 for fiscal year 2007. The increase is due to an increase in sewer rates charged customers and a slight increase in water usage by customers.

## THE CITY'S FUNDS

At June 30, 2008 the City's governmental funds reported a combined fund balance of \$6,081,865, a decrease of \$(96,346) from \$6,178,211 at June 30, 2007.

## General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City general fund budget two times. The purpose of these revisions was to recognize major changes in revenue or expenses. The major revisions included:

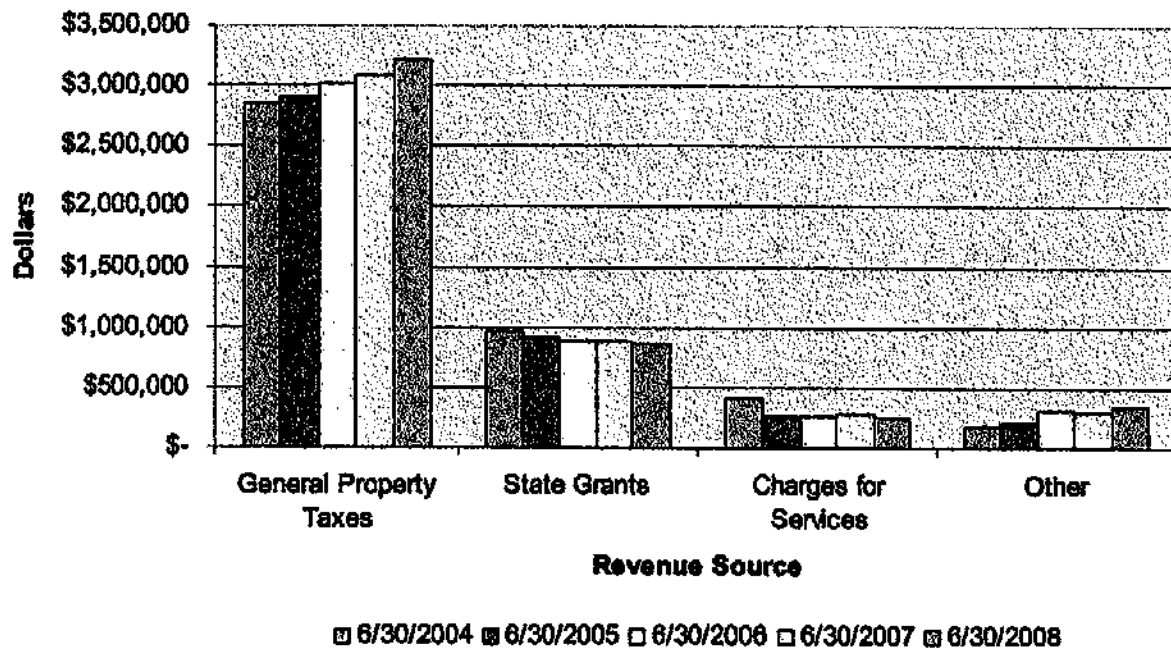
- 1) A decrease in government revenues of \$68,000 and an increase in government expenditures of \$33,600 resulting in a net budgeted decrease of \$101,600.

Actual charges to expenditures were \$106,608 less than the final budget and revenues were \$15,537 less than the final budget. The net variation to budget was an income of \$91,071.

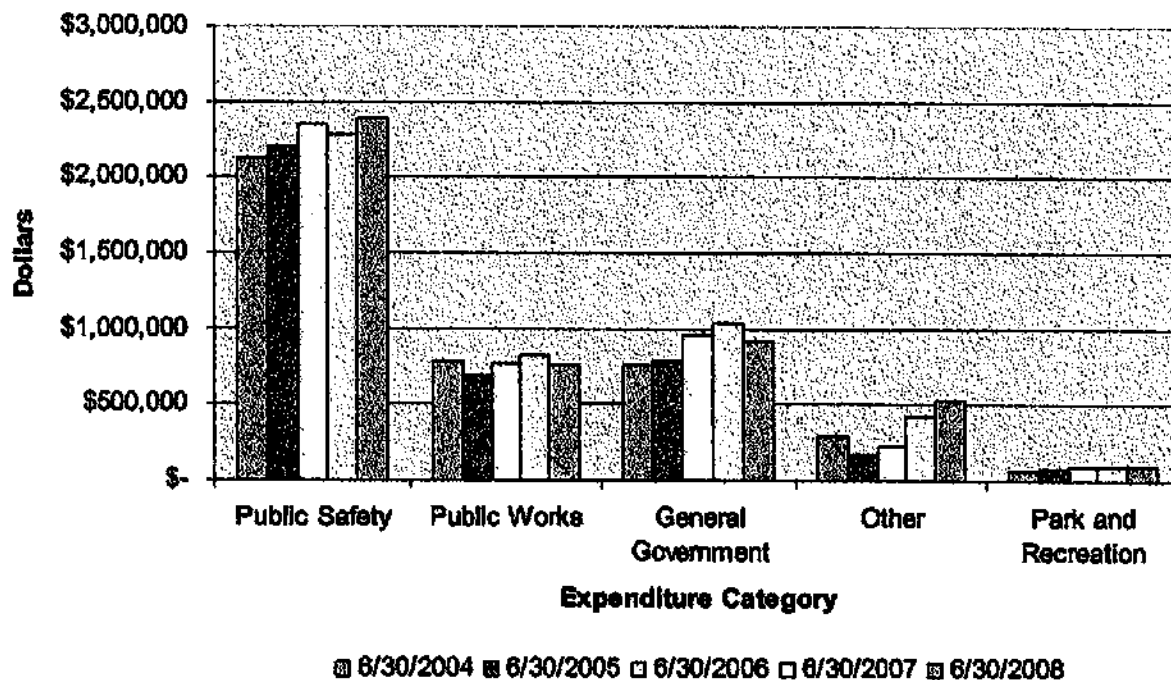
## GENERAL FUND REVENUES AND EXPENDITURES

The City's General Fund revenues and expenditures for the years ended June 31, 2004, 2005, 2006, 2007, and 2008 are summarized in the following bar graphs:

### General Fund Revenues



### General Fund Expenditures



## **GENERAL FUND REVENUES**

Overall General Fund revenues increased \$130,608, 2.79% over fiscal 2007. This increase is mainly attributed to an increase in property tax revenue and is the result of an increase in taxable value, as total mills levied during 2007-08 decreased .1358 mills. Fiscal 2007-08 was the first full year cable franchise fees were collected in the amount of \$90,954, which helped offset a decrease in receipts of rental income in the amount of \$13,447 (the result of new tower leases not being finalized and billed), a decrease in interest earnings of \$19,888 (the result of a lower fund balance to invest), a decrease in contributions from TIFA (Tax Increment Finance Authority) in the amount of \$37,287 towards technology purchases, along with a decrease of \$11,770 in Contributions from Local Units, which can be attributed to the Iron Mountain School District not being billed for the time period when the city didn't have a police liaison officer.

Even with this increase in revenues over fiscal 2006-07, revenues have been unable to cover or exceed expenditures, causing a decrease in fund balance of \$72,309. This decrease in fund balance was expected to continue, as higher required contributions to the Health Insurance Fund are to be made, along with overall normal increased costs associated with labor, fringe benefits, materials, and services. It should be noted that State Grants - State Shared Revenue of Sales Tax receipts, decreased slightly in the amount of \$4,881 over 2006-07 but is expected to increase slightly for 2008-09 with a 4% increase granted by the State of Michigan.

## **GENERAL FUND EXPENDITURES**

Overall expenditures of the General Fund decreased by \$105,272 from fiscal 2006-07. Reasons for this decrease can be attributed to reassessment costs being undertaken during 2006-07 but not 2007-08, decreased technology spending, decreased public works and street lighting expenditures, decreased contributions to other funds, along with increases associated with retirement and sick leave payoffs in the Clerk Treasurer and Police Departments, increased fire bonuses, and increased wages and benefits (a full year) in the Planning and Community Development Department.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2008 the City had \$58,738,582 invested in a variety of capital assets including equipment, buildings, parks, roads, and water systems as follows:

### Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,822,831	\$ 2,822,831	\$ 43,236	\$ 43,236	\$ 2,866,067	\$ 2,866,067
Land improvements	2,094,313	1,857,117	-	-	2,094,313	1,857,117
Buildings	4,449,234	4,449,234	-	-	4,449,234	4,449,234
Equipment	1,644,405	1,622,954	184,374	182,036	1,828,779	1,804,990
Vehicles	2,277,388	2,275,499	-	-	2,277,388	2,275,499
Infrastructure	<u>32,395,106</u>	<u>32,189,069</u>	<u>12,827,695</u>	<u>12,380,753</u>	<u>45,222,801</u>	<u>44,569,822</u>
Total cost	45,683,277	45,216,704	13,055,305	12,606,025	58,738,582	57,822,729
Less: accumulated depreciation	<u>(20,973,449)</u>	<u>(19,612,598)</u>	<u>(2,318,085)</u>	<u>(2,140,056)</u>	<u>(23,291,534)</u>	<u>(21,752,654)</u>
NET CAPITAL ASSETS	<u>\$ 24,709,828</u>	<u>\$ 25,604,106</u>	<u>\$ 10,737,220</u>	<u>\$ 10,465,969</u>	<u>\$ 35,447,048</u>	<u>\$ 36,070,075</u>

### Debt

At the end of fiscal year 2008 City had \$2,190,961 in bonds and notes outstanding as depicted in Table 5 below, a reduction of \$641,672 from the outstanding amount of \$2,832,633 at June 30, 2007.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2008	2007
T.I.F.A. Bonds	\$ 1,700,000	\$ 2,240,000
Installment loans	<u>490,961</u>	<u>592,633</u>
Total	<u>\$ 2,190,961</u>	<u>\$ 2,832,633</u>

### ECONOMIC FACTORS AND NEXT YEAR'S FISCAL OUTLOOK

For Fiscal Year 2009 the State of Michigan budgeted a 4% increase in state shared revenues. In previous fiscal years, the State has decreased or held flat revenue sharing to the City. Additionally, as part of the development of the Fiscal Year 2009 budget, the City conducted a comprehensive review of charges for services. Several fees were adjusted to reflect the costs to provide the particular service.

The City's property tax revenue has increased year over year even with a slight decrease in millage. Expenditures have increased at a greater rate than revenue, causing a decrease in fund balance. The City Council has taken action to decrease TIFA's capture of taxes in the TIFA district by \$2,000,000 during Fiscal Year 2009 which would increase the General Fund's property tax revenue by \$1,000,000. This increase in property tax revenue should not only help avoid further fund balance reductions, but will enable the General Fund to increase transfers to the Health Insurance Fund and other funds for paving of streets and capital improvements.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers and customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's office at Iron Mountain, 501 S. Stephenson Avenue, Iron Mountain, MI 49801, (906) 774-8530.

# CITY OF IRON MOUNTAIN

## STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS:</b>				
Current assets:				
Cash and equivalents - unrestricted	\$ 1,881,037	\$ 400,136	\$ 2,281,173	\$ 94,609
Cash and equivalents - restricted	-	479,245	479,245	-
Investments - unrestricted	3,845,304	1,190,062	5,035,366	285,883
Receivables:				
Taxes	11,535	-	11,535	-
Accounts	580,983	241,000	821,983	7,790
Interest & dividends	37,630	16,141	53,771	3,849
Due from other funds	30,250	50,142	80,392	-
Inventory	141,834	75,472	217,306	781
Deferred charges	-	91,689	91,689	-
Prepaid expenses	22,847	2,610	25,457	14,800
Total current assets	<u>6,551,420</u>	<u>2,546,497</u>	<u>9,097,917</u>	<u>407,712</u>
Noncurrent assets:				
Land held for resale	872,597	-	872,597	-
Capital assets	45,683,277	13,055,305	58,738,582	5,975,567
Accumulated depreciation	<u>(20,973,449)</u>	<u>(2,318,085)</u>	<u>(23,291,534)</u>	<u>(3,441,851)</u>
Total noncurrent assets	<u>25,582,425</u>	<u>10,737,220</u>	<u>36,319,645</u>	<u>2,533,716</u>
TOTAL ASSETS	<u>32,133,845</u>	<u>13,283,717</u>	<u>45,417,562</u>	<u>2,941,428</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	221,030	31,881	252,911	7,702
Accrued wages	58,106	9,976	68,082	-
Accrued other	16,677	71,239	87,916	24,871
Accrued interest	16,579	-	16,579	-
Deferred revenue	11,351	11,767	23,118	516
Due to other funds	273	79,672	79,945	-
Due to other governmental units	14,506	33,803	48,309	-
Other liabilities	600	56,741	57,341	-
Compensated absences	26,823	-	26,823	3,175
Bonds payable	560,000	90,000	650,000	-
Notes payable	<u>77,199</u>	<u>-</u>	<u>77,199</u>	<u>-</u>
Total current liabilities	<u>1,003,144</u>	<u>385,079</u>	<u>1,388,223</u>	<u>36,264</u>

**CITY OF IRON MOUNTAIN**  
**STATEMENT OF NET ASSETS**

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Noncurrent liabilities:				
Compensated absences	6,709	-	6,709	22,961
Bonds payable	1,140,000	4,300,000	5,440,000	-
Notes payable	413,762	-	413,762	-
Total noncurrent liabilities	<u>1,560,471</u>	<u>4,300,000</u>	<u>5,860,471</u>	<u>22,961</u>
<b>TOTAL LIABILITIES</b>	<u>2,563,615</u>	<u>4,685,079</u>	<u>7,248,694</u>	<u>59,225</u>
NET ASSETS:				
Invested in capital assets, net of related debt	22,518,867	6,347,220	28,866,087	2,533,716
Restricted for:				
Debt service	1,771,783	-	1,771,783	-
Unrestricted	<u>5,279,580</u>	<u>2,251,418</u>	<u>7,530,998</u>	<u>348,487</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 29,570,230</u>	<u>\$ 8,598,638</u>	<u>\$ 38,168,868</u>	<u>\$ 2,882,203</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.



# CITY OF IRON MOUNTAIN

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants and Contributions		Primary Government		Component Unit
		Fees, Fines and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
General government	\$ 1,324,901	\$ 393,696	\$ 18,214	\$ (912,991)	\$ -	\$ -
Public safety	2,437,491	-	1,568	(2,435,923)	-	(2,435,923)
Parks and recreation	138,150	-	-	(75,317)	-	(75,317)
Cemetery	220,902	90,950	-	(129,952)	-	(129,952)
General public works	3,382,907	158,217	-	(3,108,111)	-	(3,108,111)
Interest on long-term debt	154,462	-	-	(154,462)	-	(154,462)
Total governmental activities	7,658,813	642,863	19,782	(6,816,756)	-	(6,816,756)
Business-type activities:						
Water utility	1,171,809	1,363,288	-	-	191,479	191,479
Sewer	132,220	307,991	-	-	175,771	175,771
Total business-type activities	1,304,029	1,671,279	-	-	367,250	367,250
Component Unit:						
Public Housing	656,486	221,671	169,028	-	-	(158,608)
TOTAL PRIMARY GOVERNMENT	\$ 9,619,328	\$ 2,535,813	\$ 188,810	\$ (6,816,756)	\$ 367,250	\$ (158,608)
General revenues:						
Property taxes				\$ 5,092,562	\$ -	\$ -
State revenue sharing				1,665,233	-	-
Grants and contributions not restricted to specific programs				28,967	-	-
Unrestricted investment earnings				362,257	81,158	443,415
Contributions in aid of construction				-	310,281	310,281
Other				148,482	23,460	171,942
Transfers				92,221	(75,000)	17,221
Total general revenues and transfers				7,389,722	339,899	7,729,621
Changes in net assets				572,966	707,149	1,280,115
Net assets, beginning of year				28,997,264	7,891,489	36,888,753
Net assets, end of year				\$ 29,570,230	\$ 8,598,638	\$ 38,168,868
						\$ 2,882,203

The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF IRON MOUNTAIN

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>T.I.F.A. Debt Service</u>
<b>ASSETS:</b>				
Cash and equivalents	\$ 291,139	\$ 130,310	\$ 60,958	\$ 86,236
Investments	299,929	198,623	-	1,672,298
Receivables:				
Taxes	6,230	-	-	-
Accounts	333,101	75,498	32,351	-
Interest & dividends	4,603	908	-	13,226
Due from other funds	23,904	-	425	2,304
Inventory	43,380	-	-	-
Prepaid expenses	16,204	2,902	2,347	-
Land held for resale	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,018,490</u>	<u>\$ 408,241</u>	<u>\$ 96,081</u>	<u>\$ 1,774,064</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 94,200	\$ 11,410	\$ 19,777	\$ -
Accrued wages	50,285	1,324	2,528	-
Other accrued expenses	13,997	618	642	-
Deferred revenue	-	-	-	2,281
Due to other funds	-	60	-	-
Due to other governmental units	14,506	-	-	-
Other liabilities	600	-	-	-
<b>TOTAL LIABILITIES</b>	<u>173,588</u>	<u>13,412</u>	<u>22,947</u>	<u>2,281</u>
<b>FUND BALANCE AND OTHER CREDITS:</b>				
Fund balances:				
Reserved	-	-	-	1,771,783
Unreserved:				
Designated	62,542	-	-	-
Undesignated	782,360	394,829	73,134	-
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<u>844,902</u>	<u>394,829</u>	<u>73,134</u>	<u>1,771,783</u>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<u>\$ 1,018,490</u>	<u>\$ 408,241</u>	<u>\$ 96,081</u>	<u>\$ 1,774,064</u>

The accompanying notes to the financial statements are an integral part of this statement.

<u>Tax Incremental Financing Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 844,512	\$ 428,405	\$ 1,841,560
1,092,978	581,476	3,845,304
4,913	392	11,535
40,809	62,236	543,995
12,806	6,087	37,630
1,853	-	28,486
-	-	43,380
-	35	21,488
872,597	-	872,597
<u>\$ 2,870,468</u>	<u>\$ 1,078,631</u>	<u>\$ 7,245,975</u>
\$ 25,590	\$ 43,475	\$ 194,452
-	669	54,806
-	268	15,525
9,070	-	11,351
-	213	273
-	-	14,506
-	-	600
<u>34,660</u>	<u>44,625</u>	<u>291,513</u>
2,835,808	106,174	4,713,765
-	927,832	990,374
-	-	1,250,323
<u>2,835,808</u>	<u>1,034,006</u>	<u>6,954,462</u>
<u>\$ 2,870,468</u>	<u>\$ 1,078,631</u>	<u>\$ 7,245,975</u>

**CITY OF IRON MOUNTAIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total fund balances for governmental funds \$ 6,954,462

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 23,667,396

An internal service fund is used by the City to charge the cost of equipment usage to individual departments of the City which are not accounted for as an enterprise activity. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 1,189,444

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued interest on long-term debt	\$ (16,579)	
Bonds payable	(1,700,000)	
Notes payable	(490,961)	
Compensated absences	<u>(33,532)</u>	<u>(2,241,072)</u>

Total net assets of governmental activities \$29,570,230

# CITY OF IRON MOUNTAIN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General	Major Street	Local Street	T.I.F.A. Debt Service
<b>REVENUES:</b>				
General property taxes	\$ 3,221,155	\$ -	\$ -	\$ -
Licenses and permits	105,020	-	-	-
State grants	870,126	538,429	238,760	-
Federal grants	4,384	131,977	-	-
Charges for services	254,936	-	-	-
Local sources	28,967	-	-	-
Fines and forfeits	28,116	-	-	-
Interest income	61,467	24,949	2,937	77,288
Rental income	12,730	-	-	-
Unrealized gain(loss) on investments	(71)	1,463	-	13,779
Other	101,775	5,499	5,845	-
<b>TOTAL REVENUES</b>	<b>4,688,605</b>	<b>702,317</b>	<b>247,542</b>	<b>91,067</b>
<b>EXPENDITURES:</b>				
Legislative	14,598	-	-	-
General government	920,326	-	-	-
Public safety	2,388,707	-	-	-
Public works	758,429	665,229	428,740	-
Parks and recreation	95,518	-	-	-
Other	488,884	14,760	14,760	-
Debt service	27,891	-	-	646,802
<b>TOTAL EXPENDITURES</b>	<b>4,694,333</b>	<b>679,989</b>	<b>443,500</b>	<b>646,802</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,748)</b>	<b>22,328</b>	<b>(195,958)</b>	<b>(555,735)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	43,439	-	175,000	646,800
Operating transfers out	(110,000)	(175,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(66,561)</b>	<b>(175,000)</b>	<b>175,000</b>	<b>646,800</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(72,309)</b>	<b>(152,672)</b>	<b>(20,958)</b>	<b>91,065</b>
<b>FUND BALANCE, JULY 1</b>	<b>917,211</b>	<b>547,501</b>	<b>94,092</b>	<b>1,680,718</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 844,902</b>	<b>\$ 394,829</b>	<b>\$ 73,134</b>	<b>\$ 1,771,783</b>

The accompanying notes to the financial statements are an integral part of this statement.

<u>Tax Increment Financing Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,965,619	\$ 37,644	\$ 5,224,418
-	-	105,020
-	49,629	1,696,944
31,432	21,056	188,849
-	-	254,936
-	-	28,967
-	-	28,116
129,526	41,338	337,505
-	-	12,730
26,119	(16,804)	24,486
-	63,837	176,956
<u>2,152,696</u>	<u>196,700</u>	<u>8,078,927</u>
-	-	14,598
-	90,961	1,011,287
-	-	2,388,707
670,986	-	2,523,384
-	68,306	163,824
-	-	518,404
-	-	674,693
<u>670,986</u>	<u>159,267</u>	<u>7,294,897</u>
<u>1,481,710</u>	<u>37,433</u>	<u>784,030</u>
-	85,000	950,239
<u>(658,909)</u>	<u>(14,109)</u>	<u>(958,018)</u>
<u>(658,909)</u>	<u>70,891</u>	<u>(7,779)</u>
822,801	108,324	776,251
<u>2,013,007</u>	<u>925,682</u>	<u>6,178,211</u>
<u>\$ 2,835,808</u>	<u>\$ 1,034,006</u>	<u>\$ 6,954,462</u>

**CITY OF IRON MOUNTAIN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008**

Net changes in fund balances – total governmental funds \$ 776,251

The changes in net assets reported for governmental activities  
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$832,703 exceeded depreciation expense \$1,490,038.

(657,335)

Undepreciated balance of retired fixed assets.

(100,506)

An internal service fund is used by the City to charge the cost of equipment usage to individual departments of the City which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service fund is reported with governmental activities.

(78,698)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bond principal

540,000

Note principal

101,672

641,672

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences

(13,326)

Accrued interest on bonds

4,908

(8,418)

Changes in net assets of governmental activities

\$ 572,966

# CITY OF IRON MOUNTAIN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2008

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
<b>ASSETS:</b>			
Current assets:			
Cash and equivalents - unrestricted	\$ 198,971	\$ 201,165	\$ 400,136
Cash and equivalents - restricted	479,245	-	479,245
Investments - unrestricted	1,190,062	-	1,190,062
Receivables	253,989	3,152	257,141
Due from other funds	-	50,142	50,142
Inventory	75,472	-	75,472
Deferred charges	91,689	-	91,689
Prepaid expenses	2,276	334	2,610
Total current assets	<u>2,291,704</u>	<u>254,793</u>	<u>2,546,497</u>
Noncurrent assets:			
Fixed assets:			
Land	43,236	-	43,236
Water system in service	12,428,801	-	12,428,801
Sanitary sewer system	-	398,895	398,895
Vehicles	-	-	-
Equipment	184,373	-	184,373
Less: accumulated depreciation	<u>(2,301,414)</u>	<u>(16,671)</u>	<u>(2,318,085)</u>
Net fixed assets	<u>10,354,996</u>	<u>382,224</u>	<u>10,737,220</u>
TOTAL ASSETS	<u>12,646,700</u>	<u>637,017</u>	<u>13,283,717</u>

The accompanying notes to the financial statements are an integral part of this statement.



Internal  
Service  
Fund

---

\$ 39,477

-

-

36,988

1,764

98,454

-

1,359

---

178,042

-

-

-

2,277,389

826,996

(2,061,953)

---

1,042,432

---

1,220,474

**CITY OF IRON MOUNTAIN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2008

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
<b>LIABILITIES:</b>			
Current liabilities (payable from current assets):			
Accounts payable	29,028	2,853	31,881
Accrued wages	9,663	311	9,976
Other accrued expenses	71,159	80	71,239
Deferred revenue	11,767	-	11,767
Due to other funds	79,672	-	79,672
Due to other governmental units	2,386	31,417	33,803
Bonds payable	90,000	-	90,000
Total current liabilities (payable from current assets)	293,677	34,661	328,338
Current liabilities (payable from restricted assets):			
Customer deposits	56,741	-	56,741
Long-term liabilities:			
Bonds payable	4,300,000	-	4,300,000
<b>TOTAL LIABILITIES</b>	<b>4,650,418</b>	<b>34,661</b>	<b>4,685,079</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	5,964,996	382,224	6,347,220
Unrestricted	2,031,286	220,132	2,251,418
<b>TOTAL NET ASSETS</b>	<b>\$ 7,996,282</b>	<b>\$ 602,356</b>	<b>\$ 8,598,638</b>

The accompanying notes to the financial statements are an integral part of this statement.

Internal  
Service  
Fund

26,578

3,300

1,152

-

-

-

-

31,030

-

-

31,030

1,042,432

147,012

\$ 1,189,444

# CITY OF IRON MOUNTAIN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Water Utility	Enterprise Funds Sewer Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,363,288	\$ 307,991	\$ 1,671,279
Rental income	-	-	-
Other	23,049	411	23,460
<b>TOTAL OPERATING REVENUES</b>	<b>1,386,337</b>	<b>308,402</b>	<b>1,694,739</b>
<b>OPERATING EXPENSES:</b>			
Production	68,023	-	68,023
Distribution	237,674	112,084	349,758
Administration	283,746	-	283,746
Collection	96,002	-	96,002
Depreciation	176,185	9,444	185,629
Personnel	-	-	-
Supplies	-	-	-
Other services and charges	97,330	10,692	108,022
<b>TOTAL OPERATING EXPENSES</b>	<b>958,960</b>	<b>132,220</b>	<b>1,091,180</b>
<b>OPERATING INCOME (LOSS)</b>	<b>427,377</b>	<b>176,182</b>	<b>603,559</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Contributions in aid of construction:			
TIFA	124,471	171,701	296,172
Water capital improvement	14,109	-	14,109
Interest income	87,383	(862)	86,521
Unrealized gain (loss)	(5,363)	-	(5,363)
Deferred charge expense	(3,527)	-	(3,527)
Bond interest expense and fees	(209,322)	-	(209,322)
Debt service	-	-	-

The accompanying notes to the financial statements are an integral part of this statement.

Internal  
Service  
Fund

\$ -

569,993

17,821

587,814

-

-

-

-

144,722

215,107

86,551

221,363

667,743

(79,929)

-

-

265

-

-

-

(99,034)

**CITY OF IRON MOUNTAIN**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,751</u>	<u>170,839</u>	<u>178,590</u>
Income (loss) before transfers and contributions	<u>435,128</u>	<u>347,021</u>	<u>782,149</u>
OPERATING TRANSFERS:			
Operating transfers in:			
General Fund	-	-	-
Operating transfers out:			
Water Capital Improvement Fund	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
TOTAL TRANSFERS	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
Change in net assets	360,128	347,021	707,149
NET ASSETS, BEGINNING OF YEAR	<u>7,636,154</u>	<u>255,335</u>	<u>7,891,489</u>
NET ASSETS, END OF YEAR	<u>\$ 7,996,282</u>	<u>\$ 602,356</u>	<u>\$ 8,598,638</u>

The accompanying notes to the financial statements are an integral part of this statement.



Internal  
Service  
Fund

(98,769)

(178,698)

100,000

100,000

(78,698)

1,268,142

\$ 1,189,444

**CITY OF IRON MOUNTAIN****STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

		Enterprise Funds
	Water Utility	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from operations	\$ 1,343,663	\$ 336,613
Receipts from other operating activities	23,049	46,694
Payments for operating expenses	(451,540)	(103,245)
Payments for wages and related benefits	(419,557)	(54,102)
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>495,615</b>	<b>225,960</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers from other funds	-	-
Transfers to other funds	(75,000)	-
<b>NET CASH (USED) BY PROVIDED FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(75,000)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Contributed capital	138,580	171,701
Repayment of loan principal	(90,000)	-
Repayment of loan interest	(210,516)	-
Acquisition of fixed assets	(251,654)	(205,226)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(413,590)</b>	<b>(33,525)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income (expense)	75,655	(862)
Purchase of investment	(494,370)	-
<b>NET CASH (USED) BY PROVIDED FROM INVESTING ACTIVITIES</b>	<b>(418,715)</b>	<b>(862)</b>
<b>NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<b>(411,690)</b>	<b>191,573</b>
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,089,906</b>	<b>9,592</b>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 678,216</b>	<b>\$ 201,165</b>

The accompanying notes to the financial statements are an integral part of this statement.



<u>Total</u>	<u>Internal Service Fund</u>
\$ 1,680,276	\$ 552,725
69,743	16,082
(554,785)	(313,198)
<u>(473,659)</u>	<u>(214,438)</u>
<u>721,575</u>	<u>41,171</u>
-	100,000
<u>(75,000)</u>	<u>-</u>
<u>(75,000)</u>	<u>100,000</u>
310,281	-
(90,000)	(74,357)
(210,516)	(24,677)
<u>(456,880)</u>	<u>(8,284)</u>
<u>(447,115)</u>	<u>(107,318)</u>
74,793	265
<u>-</u>	<u>-</u>
<u>(419,577)</u>	<u>265</u>
(220,117)	34,118
<u>1,099,498</u>	<u>5,359</u>
<u>\$ 879,381</u>	<u>\$ 39,477</u>

**CITY OF IRON MOUNTAIN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	<u>Water Utility</u>	<u>Enterprise Funds Sewer Fund</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED FROM (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 427,377	\$ 176,182
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	176,185	9,444
Changes in assets and liabilities:		
Decrease (Increase) in receivables	(9,636)	28,622
Decrease (Increase) in due from other funds	-	46,283
Decrease (Increase) in inventory	6,296	-
Decrease (Increase) in prepaids	59	46
Increase (Decrease) in accounts payable	(57,787)	(36,719)
Increase (Decrease) in accrued wages	653	(7)
Increase (Decrease) in accrued expenses	(2,124)	(160)
Increase (Decrease) in due to other funds	(60,147)	-
Increase (Decrease) in other liabilities/deposits	14,739	2,269
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<u><u>\$ 495,615</u></u>	<u><u>\$ 225,960</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

<u>Total</u>	<u>Internal Service Fund</u>
\$ 603,559	\$ (79,929)
185,629	144,722
18,986	(16,539)
46,283	(1,739)
6,296	3,189
105	281
(94,506)	(9,483)
646	837
(2,284)	(168)
(60,147)	-
17,008	-
<u>\$ 721,575</u>	<u>\$ 41,171</u>

**CITY OF IRON MOUNTAIN**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2008

	<u>Expendable Trust Fund</u>	<u>Non-Expendable Trust Fund</u>	<u>Pension Trust Fund</u>
	<u>Health Insurance</u>	<u>Cemetery Perpetual Care</u>	<u>Police and Fire Pension</u>
ASSETS:			
Cash and equivalents	\$ 204,658	\$ 44,240	\$ (9,742)
Receivables:			
Trade	13,994	-	-
Interest and dividends	-	5,673	-
Investments	-	415,974	7,541,435
TOTAL ASSETS	<u>218,652</u>	<u>465,887</u>	<u>7,531,693</u>
LIABILITIES:			
Accounts payable	13,342	-	828
Due to other funds	-	447	-
TOTAL LIABILITIES	<u>13,342</u>	<u>447</u>	<u>828</u>
NET ASSETS:			
Held in trust for pension benefits and other purposes	<u>\$ 205,310</u>	<u>\$ 465,440</u>	<u>\$ 7,530,865</u>

The accompanying notes to the financial statements are an integral part of this statement.



# CITY OF IRON MOUNTAIN

## **STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS**

For the Year Ended June 30, 2008

	Expendable Trust Fund	Non-Expendable Trust Fund	Pension Trust Fund
	Health Insurance	Cemetery Perpetual Care	Police and Fire Pension
<b>ADDITIONS:</b>			
Contributions:			
Employer	\$ -	\$ -	\$ 446,870
Plan members	2,560	-	69,458
City	421,347	-	-
Other	172,717	-	-
Total contributions	596,624	-	516,328
Investment earnings:			
Net increase (decrease) in fair value of assets	921	(2,246)	(818,523)
Interest	8,007	23,440	112,736
Dividends	-	-	141,787
Gain on sale of securities (net of losses)	-	-	219,454
Total investment earnings	8,928	21,194	(344,546)
Other	-	6,200	766
<b>TOTAL ADDITIONS</b>	<b>605,552</b>	<b>27,394</b>	<b>172,548</b>
<b>DEDUCTIONS:</b>			
Benefits	-	-	644,601
Retirees health insurance	611,819	-	-
Administrative expenses	-	-	89,878
Other	9,570	-	-
Transfers out	-	31,330	15,118
<b>TOTAL DEDUCTIONS</b>	<b>621,389</b>	<b>31,330</b>	<b>749,597</b>
Change in net assets	(15,837)	(3,936)	(577,049)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>221,147</b>	<b>469,376</b>	<b>8,107,914</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 205,310</b>	<b>\$ 465,440</b>	<b>\$ 7,530,865</b>

The accompanying notes to the financial statements are an integral part of this statement.

## CITY OF IRON MOUNTAIN

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### THE REPORTING ENTITY

The City of Iron Mountain, Michigan ("City") was incorporated in 1889 under the provisions of the State of Michigan. Pursuant to a Home Rule Charter adopted by public vote on October 22, 1985, the City operates under a Council-Manager form of government and provides the following services to its residents: public safety (police and fire), highway and streets, sanitation, culture-recreation, public improvements, planning and zoning, certain public utilities and general administrative services.

The City, for financial reporting purposes, includes all of the funds and account groups relevant to its operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate distinct units of government apart from the City. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board and scope of public service.

Based on the foregoing criteria, the financial statements of the City's Downtown Development Authority (D.D.A.) and Tax Increment Financing Authority (T.I.F.A.) are included in the accompanying financial statements.

The Iron Mountain Housing Commission (Commission) is included as a discretely presented component unit of the City. The Commission provides safe and affordable housing for low income and elderly individuals. The Commission was formed under Public Act 18 of 1933 of the State of Michigan and operates under a Board of Commissioners appointed by the City Manager. The Commission issues separately audited financial statements and can be obtained from the Iron Mountain Housing Commission at 401 East "D" Street, Iron Mountain, MI 49801.

Similarly, it has been determined that the financial statements of the following organizations should not be and, accordingly, are not included in the accompanying financial statements: Joint Sewage Authority, Central Landfill Authority, the Economic Development Authority and the School District of the City of Iron Mountain.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION**

**Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following as major governmental funds in accordance with the above criteria:

The General Fund which is described below.

Major Street Fund which is described below.

Local Street Fund which is described below.

T.I.F.A. Debt Service Fund which is described below.

Tax Increment Financing Authority Fund which is described below.

The City reports the following as major enterprise funds in accordance with the above criteria:



**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The Water Utility Fund which is described below.

The Sewer Fund which is described below.

The funds of the City are described below:

**Governmental Funds**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Project Funds** - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Funds** - Internal Service Funds are used to finance, administer, and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

**Fiduciary Funds**

**Trust and Agency Funds** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments and other funds. These include expendable and nonexpendable trust, pension trust, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.





**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus:**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting:**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

## CITY OF IRON MOUNTAIN

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accountings, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

As allowed by GASB Statement No. 20, the City's business-type activities and enterprise funds follow all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

##### **ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE**

- a. Cash and Equivalents – The City's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.
- b. Investments – Investments are stated at the fair-market value of the underlying securities.
- c. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.
- d. Due to and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.
- e. Inventory – Inventories of the City's General, Water Utility, Sewer, and Motor Vehicle and Equipment Replacement Funds consist of supplies of repair and replacement parts maintained for internal consumption. Quantities are determined by a physical count and/or measurement which is then priced using current costs.
- f. Fixed Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)

###### Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	10-40 years
Machinery and equipment	5-20 years
Infrastructure	20-80 years

###### Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

The City has adopted a capitalization policy for fixed assets of \$1,000 per item.

- g. Restricted Assets - These assets are comprised of cash, certificates of deposit and other investments which are restricted for the following items:

Water construction money from bond issuance	\$422,504
Cash in checking - an amount equal to utility service customer deposits	<u>56,741</u>
Total	<u>\$479,245</u>

- h. Long-Term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and notes payable.

**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES AND NET ASSETS/FUND BALANCE (Continued)**

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

- i. **Compensated Absences** - It is the City's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which will be paid to employees upon separation from the City. In governmental funds, the cost of sick leave is recognized when payments are made to employees. In proprietary funds, the cost of vested sick leave is recognized as an expense as earned by the employees.

- j. **Equity Classification**

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.



**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**REVENUES AND EXPENDITURES/EXPENSES**

**Revenues:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues includes all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, State revenue sharing payments and interest earnings.

**Fund Statements:**

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency.

**Expenses/Expenditures:**

**Government-Wide Statements:**

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

**Fund Statements:**

In the governmental fund financial statements expenditures are classified by function.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

**Operating Revenues and Expenses:**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.



## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### REVENUES AND EXPENDITURES/EXPENSES (Continued)

###### Other Financing Sources (Uses):

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

##### OTHER SIGNIFICANT ACCOUNTING POLICIES

###### Interfund Activity:

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

###### Budgets and Budgetary Accounting:

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the first Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The City Charter requires that the budget be submitted in summary form. In addition, detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the functional level.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to May 31, the budget is legally enacted through passage of a resolution.
- (4) The City Manager is required by the City Charter to present a quarterly report to the City Council explaining any variance from the approved budget.



## CITY OF IRON MOUNTAIN

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### OTHER SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (5) Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, Enterprise, Internal Service and Expendable Trust Funds.
- (6) Budgets for those funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). (See Basis of Accounting above).
- (7) The City Charter requires the adoption of a summary budget for proprietary funds.
- (8) Appropriations lapse at the end of each fiscal year.
- (9) The City Council may authorize supplemental appropriations during the year.

The budget for the year ended June 30, 2008 was formally adopted by action of the City Council on May 21, 2007 and was amended on December 3, 2007 and June 16, 2008.

##### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of January 1, and are levied, due and payable as of July 1. All unpaid taxes become delinquent on August 10 of the same year. Property tax revenues are recognized when they become available. Available includes those taxes expected to be collected within sixty days after year end.

##### RESERVATIONS AND DESIGNATIONS OF FUND BALANCES AND RETAINED EARNINGS

Reservations are used to indicate that a portion of fund balance/retained earnings is not appropriable for expenditure or is legally segregated for a specific future use.

Designations indicate tentative plans or intent for resource utilization in a future period and are thus subject to change and may never be legally authorized or result in expenditure.

##### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE B - CASH AND INVESTMENTS**

**Cash and Equivalents**

The City's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 1,650
Checking accounts	100,000
Money markets	311
Repurchase sweep checking accounts	<u>2,658,457</u>
<b>TOTAL</b>	<b><u>\$2,760,418</u></b>

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of June 30, 2008, the City's checking accounts were uninsured and uncollateralized in the amount of \$60,415. The repurchase sweep checking accounts were collateralized with U.S. Govt. securities with a fair market value of \$4,834,317 at June 30, 2008.

**Investments**

The City's investments, as reported in the Statement of Net Assets, consisted of the following:

Investment Type	Fair Value	(Investment Maturities in Years)			
		Less Than 1	1-5	6-10	11-15
Certificates of Deposit	\$ 2,188,622	\$ 701,405	\$1,391,462	\$ 95,755	\$ -
Term Special Repurchase Agreements	200,000	100,000	100,000	-	-
U.S. Agencies	<u>2,646,744</u>	<u>-</u>	<u>398,716</u>	<u>-</u>	<u>2,248,028</u>
<b>TOTAL</b>	<b><u>\$ 5,035,366</u></b>	<b><u>\$ 801,405</u></b>	<b><u>\$1,890,178</u></b>	<b><u>\$ 95,755</u></b>	<b><u>\$ 2,248,028</u></b>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. State law limits the allowable investments as described above. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.





## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE B - CASH AND INVESTMENTS (Continued)

##### Investments (Continued)

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The City has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the City's investments outlined above. The City's investments are in accordance with statutory authority.

#### NOTE C - RETIREMENT PLANS

##### Michigan Employee's Retirement System (MERS)

Description of Plan and Plan Assets - The Plan is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS) of Michigan. The system provides the following provisions: service retirement, deferred retirement and disability retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.5 percent times the final average compensation (FAC) with a maximum benefit of 80% of FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was created under Public Act 135 of 1945, repealed and replaced by successor Municipal Employees Retirement Act of 1984 (PA 427), as last amended by 2004 PA 490, and the MERS Plan Document, as revised. MERS was established to provide a pooled program for retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the City, which requires employees to contribute 5% of gross wages to the plan. The City is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll based upon the valuation at December 31, 2006 was 18.18% for the General Group, 121.39% for the Foreman Group, and 28.16% for the Administrative Group.

Annual Pension Cost - During the fiscal year ended December 31, 2007, the City's contributions totaling \$261,892 and employee contributions of \$53,860 were made in accordance with contribution requirement determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# CITY OF IRON MOUNTAIN

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

### NOTE C - RETIREMENT PLANS (Continued)

Actuarial Valuation Date	Accrued Actuarial Value of Assets (a)	Actuarial Liability - (AAL) Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/05	\$ 6,472,445	\$ 9,928,725	\$ (3,456,280)	65%	976,618	(354%)
12/31/06	\$ 6,524,193	\$ 10,264,987	\$ (3,740,794)	64%	1,096,548	(341%)
12/31/07	\$ 6,653,604	\$ 10,203,217	\$ (3,549,613)	65%	1,097,829	(323%)

### Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2005	196,120	100%	-
12/31/2006	209,817	100%	-
12/31/2007	261,892	100%	-

### Police and Fireman's Retirement System

#### Description of Plan and Plan Assets

In September, 1938 the City voters approved establishing a Police and Firemen's Retirement system pursuant to Act 345 of the Public Acts of 1937, as amended. The retirement system covers all full time employees of the City's public safety department. Benefits are payable to retirees age 60 or older, regardless of their years of service or age 50 with 25 or more years of service.

The City's contribution to the system amounted to \$446,870 for the year ended June 30, 2008 and has been determined to be \$461,252 for the fiscal year beginning July 1, 2008.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by the City, which requires employees to contribute 5% of gross wages to the plan. The City is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at June 30, 2008 was 32.11%.

Annual Pension Cost - During the fiscal year ended June 30, 2008, the City's contributions totaling \$446,870 and employee contributions of \$69,458 were made in accordance with contribution requirement determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.



# CITY OF IRON MOUNTAIN

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

### NOTE C - RETIREMENT PLANS (Continued)

Significant actuarial assumptions used include a long-term investment yield rate of 7.5 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Actuarial Valuation Date	Accrued Actuarial Value of Assets (a)	Actuarial Liability - (AAL) Entry Age (b)	Underfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
06/30/05	\$ 7,411,541	\$ 10,991,998	\$ (3,580,457)	67%	1,237,640	(289%)
06/30/06	\$ 7,473,252	\$ 11,613,299	\$ (4,140,047)	64%	1,365,806	(303%)
06/30/07	\$ 7,849,795	\$ 11,887,134	\$ (4,037,339)	66%	1,363,324	(296%)

### Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	353,966	100%	-
6/30/2006	391,701	100%	-
6/30/2007	403,482	100%	-

### NOTE D - INTERFUND BALANCES AND TRANSFERS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Such transactions are generally reflected as transfers in the various funds' financial statements.

In the fund financial statements, individual interfund receivable and payable balances at June 30, 2008 arising from these transactions are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General Fund	\$ 23,904	Major Street	\$ 60
Local Street	425	Nonmajor Governmental	213
T.I.F.A. Debt	2,304	Water Utility	79,672
T.I.F.A.	1,853	Cemetery Trust	447
Motor Vehicle	1,764		
Sewer	50,142		
			<u>\$ 80,392</u>
Totals	<u>\$ 80,392</u>		



# CITY OF IRON MOUNTAIN

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

### NOTE D - INTERFUND BALANCES AND TRANSFERS (Continued)

In the statement of net assets, interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 23,904	Major Street	\$ 60
Local Street	425	Nonmajor	
T.I.F.A. Debt	2,304	Governmental	213
T.I.F.A.	1,853	Water Utility	79,672
Motor Vehicle	1,764		
Sewer	50,142	Totals	\$ 79,945
Totals	\$ 80,392		

In the fund financial statement, interfund transfers for the year ended June 30, 2008 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 43,439	General	\$ 110,000
Local Street	175,000	Major Street	175,000
T.I.F.A. Debt	646,800	T.I.F.A.	658,909
Nonmajor		Nonmajor	
Governmental	85,000	Governmental	14,109
Water Utility	14,109	Water Utility	75,000
Motor Vehicle	100,000	Cemetery	31,330
Totals	\$ 1,064,348		\$ 1,064,348

In the statement of activities, interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General Fund	\$ 31,330	Water Utility	\$ 75,000
Water Capital Improvements	60,891		
Totals	\$ 92,221		

**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE E – CAPITAL ASSETS**

**GOVERNMENTAL ACTIVITIES**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Fixed asset activity for the year ended June 30, 2008 was as follows:

	Cost			<u>June 30, 2008</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	
Land	\$ 2,822,831	\$ -	\$ -	\$ 2,822,831
Land Improvements	1,845,436	237,196	-	2,082,632
Buildings	4,449,234	-	-	4,449,234
Equipment	1,622,954	21,451	-	1,644,405
Vehicles	2,275,499	1,889	-	2,277,388
Sewer system	13,021,323	193,852	(125,166)	13,090,009
Roads	19,179,427	386,599	(249,248)	19,316,778
Total Cost	<u>\$ 45,216,704</u>	<u>\$ 840,987</u>	<u>\$ (374,414)</u>	<u>\$45,683,277</u>
Accumulated Depreciation				
	Current			<u>June 30, 2008</u>
	<u>July 1, 2007</u>	<u>Depreciation</u>	<u>Deletions</u>	
Land Improvements	\$ 310,722	\$ 113,387	\$ -	\$ 424,109
Buildings	1,619,196	113,295	-	1,732,491
Equipment	884,251	110,156	-	994,407
Vehicles	1,522,805	102,213	-	1,625,018
Sewer system	3,206,546	260,913	(24,660)	3,442,799
Roads	12,069,078	934,795	(249,248)	12,754,625
Total Accumulated Depreciation	<u>19,612,598</u>	<u>\$ 1,634,759</u>	<u>\$ (273,908)</u>	<u>20,973,449</u>
Net Assets	<u>\$ 25,604,106</u>			<u>\$24,709,828</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 75,104
Public safety	46,602
Parks and recreation	41,930
Cemetery	2,734
General public works	<u>1,468,389</u>
Total governmental activities depreciation expense	<u>\$ 1,634,759</u>

# CITY OF IRON MOUNTAIN

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

### **NOTE E - CAPITAL ASSETS (Continued)**

#### BUSINESS TYPE ACTIVITIES

	Cost			
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Land	\$ 43,236	\$ -	\$ -	\$ 43,236
Equipment	182,036	9,938	(7,600)	184,374
Water and sewer system	12,380,753	446,942	-	12,827,695
<b>Total Cost</b>	<b>\$ 12,606,025</b>	<b>\$ 456,880</b>	<b>\$ (7,600)</b>	<b>\$ 13,055,305</b>
	Accumulated Depreciation			
	Current			
	<u>July 1, 2007</u>	<u>Depreciation</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Equipment	\$ 107,225	\$ 6,582	\$ (7,600)	\$ 106,207
Water and sewer system	2,032,832	179,046	-	2,211,878
<b>Total Accumulated Depreciation</b>	<b>2,140,057</b>	<b>\$ 185,628</b>	<b>\$ (7,600)</b>	<b>2,318,085</b>
<b>Net Assets</b>	<b>\$ 10,465,968</b>			<b>\$ 10,737,220</b>

Depreciation charged to expense was \$185,628 for the year ended June 30, 2008.

### **NOTE F - LONG-TERM DEBT**

#### GOVERNMENTAL ACTIVITIES

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

Type of Debt	Balance			Amounts Due Within	
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>	<u>One Year</u>
1993 T.I.F.A. Bonds	\$ 2,240,000	\$ -	\$ (540,000)	\$ 1,700,000	\$ 560,000
2002 Installment Note	244,536	-	(19,621)	224,915	20,380
2005 Installment Note	75,331	-	(8,746)	66,585	8,929
2006 Installment Note	122,366	-	(20,451)	101,915	21,224
2007 Installment Note	25,100	-	(12,297)	12,803	12,803
2007 Installment Note	97,985	-	(13,242)	84,743	13,863
I/T Capital Lease	27,315	-	(27,315)	-	-
Vested compensated absences	20,206	13,326	-	33,532	26,823
<b>Total long-term debt</b>	<b>\$ 2,852,839</b>	<b>\$ 13,326</b>	<b>\$ (641,672)</b>	<b>\$ 2,224,493</b>	<b>\$ 664,022</b>

The total amount of interest charged to expense was \$154,462.



**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE F - LONG-TERM DEBT (Continued)**

**BUSINESS-TYPE ACTIVITIES**

<u>Type of Debt</u>	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2007</u>			<u>June 30, 2008</u>	<u>Due Within</u>
					<u>One Year</u>
2004 Bonds Payable	<u>\$4,480,000</u>	<u>\$ -</u>	<u>\$(90,000)</u>	<u>\$4,390,000</u>	<u>\$90,000</u>

The total amount of interest charged to expense was \$208,922.

**GOVERNMENTAL ACTIVITIES**

Debt service requirements on long-term debt at June 30, 2008 are as follows:

<u>For the Year</u>	<u>Notes Payable and</u>		<u>Bonds Payable</u>		<u>Total</u>
	<u>Capital Lease</u>				
<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 77,199	\$ 21,834	\$ 560,000	\$ 79,300	\$ 738,333
2010	67,253	18,586	565,000	51,300	702,139
2011	70,235	15,605	575,000	25,875	686,715
2012	73,330	12,510	-	-	85,840
2013	64,197	9,233	-	-	73,430
2014-2018	<u>138,747</u>	<u>15,717</u>	<u>-</u>	<u>-</u>	<u>154,464</u>
Total	<u>\$490,961</u>	<u>\$ 93,485</u>	<u>\$1,700,000</u>	<u>\$ 156,475</u>	<u>\$2,440,921</u>

It is estimated that vested compensated absences will mature as follows:

Year ending June 30, 2009	\$26,823
Subsequent periods	<u>6,709</u>
Total	<u>\$33,532</u>

**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE F - LONG-TERM DEBT (Continued)**

**BUSINESS-TYPE ACTIVITIES**

Debt service requirements on long-term debt at June 30, 2008 are as follows:

For the Year Ending June 30	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 90,000	\$ 206,515	\$ 296,515
2010	95,000	202,915	297,915
2011	100,000	199,115	299,115
2012	100,000	195,115	295,115
2013	105,000	191,115	296,115
2014-2018	600,000	887,375	1,487,375
2019-2023	760,000	741,800	1,501,800
2024-2028	975,000	542,063	1,517,063
2028-2033	1,270,000	270,500	1,540,500
2034	<u>295,000</u>	<u>14,750</u>	<u>309,750</u>
Total	<u>\$ 4,390,000</u>	<u>\$ 3,451,263</u>	<u>\$ 7,841,263</u>

**GOVERNMENTAL ACTIVITIES**

As of June 30, 2008, the governmental activities long-term debt consisted of the following:

**1993 Bonds Payable**

1993 Tax Increment Bonds originally totaling \$5,715,000 (denomination \$5,000 each) dated February 1, 1993 mature annually on May 1 through 2011. Interest is paid semi-annually on November 1, and May 1 of each year at the stated coupon rate as reflected below.

The bonds were issued by the Tax Increment Finance Authority of the City of Iron Mountain for the purpose of financing the following capital projects:

The project included separation of storm sewer from sanitary sewer and placement of approximately 25,000 lineal feet of new trunk line storm sewer, storm sewer leads, manholes, catch basins and related appurtenances within the Tax Increment Finance Authority City (TIFA City) and adjacent tributary areas to correct flooding problems within the TIFA City. Also included was improvement to Mud Lake (East) for detention of storm water and selected water main and other sanitary sewer improvements.





## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE F - LONG-TERM DEBT (Continued)

The bonds and interest thereon are payable primarily from the property tax revenues of the Tax Increment Finance Authority. As additional security for the payment of bond principal and interest, the City has pledged its full faith and credit. Hence, these bonds are said to be limited tax general obligation bonds.

Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2002 to 2011, inclusive, are subject to redemption, at the option of the Authority in such order of maturity as determined by the Authority and by lot, on any interest payment date on or after May 1, 2001 at par and accrued interest to date fixed for redemption plus a premium expressed as a percentage of par as follows:

1% of the principal amount of each Bond or portion thereof called for redemption on or after May 1, 2003 but prior to May 1, 2008;

No premium shall be paid on Bonds or portions thereof called for redemption on or after May 1, 2008.

#### Notes Payable

5.06% loan payable \$15,872 semi-annually including interest and secured by truck equipment. The loan was in the original amount of \$329,251 and it matures in 2017. The loan balance at June 30, 2008 was \$224,915.

4.10% loan payable \$5,898 semi-annually plus interest and secured by truck equipment. The loan was in the original amount of \$96,000 and it matures in the year 2014. The loan balance at June 30, 2008 was \$66,585.

3.69% loan payable \$12,395 semi-annually including interest and is secured by truck equipment. The loan was in the original amount of \$151,700 and it matures in 2012. The loan balance at June 30, 2008 was \$101,915.

4.0% loan payable \$6,597 semi-annually including interest and is secured by a vehicle. The loan was in the original amount of \$25,100 and it matures in 2009. The loan balance at June 30, 2008 was \$12,803.

4.49% loan payable \$8,754 semi-annually including interest and is secured by truck equipment. The loan was in the original amount of \$104,400 and it matures in 2013. The loan balance at June 30, 2008 was \$84,743.



## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE F - LONG-TERM DEBT (Continued)

##### Capital Lease

4.534% capital lease payable \$2,324 monthly including interest and secured by computer hardware and software. The capital lease, in the original amount of \$78,094, which included \$58,094 for hardware and software and \$20,000 for training, matures in 2008. The hardware and software cost of \$58,094 is included in equipment under Governmental Activities and had accumulated depreciation of \$34,857 at June 30, 2008. The capital lease was paid off as of June 30, 2008.

##### BUSINESS-TYPE ACTIVITIES

###### 2004 Bonds Payable

Series 2004 Limited Tax General Obligation Bonds originally totaling \$4,800,000 (denomination \$5,000 each) dated August 1, 2004 mature annually on March 1 through 2034. Interest is paid semi-annually on September 1 and March 1 of each year at the stated coupon rate as reflected below.

The bonds were issued by the City of Iron Mountain for the purpose of paying part of the cost of acquiring, constructing, furnishing and equipping certain capital improvement items consisting of water system improvements together with all appurtenances, attachments and related facilities.

The bonds and interest thereon are payable primarily from fees charged to customers of the water utility system. The City, however, as additional security for the payment of bond principal and interest, has pledged its full faith and credit accordingly, the bonds are said to be limited tax general obligation bonds.

The bonds maturing on or prior to March 1, 2013 shall not be subject to redemption prior to maturity. Bonds maturing on or after March 1, 2014 shall be subject to redemption prior to maturity at the option of the City, in such order as shall be determined by the City, on any one or more interest payment dates on or after March 1, 2013. Bonds of a denomination greater than \$5,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

#### NOTE G - COMPENSATED ABSENCES

Pursuant to the requirements of Financial Accounting Standards Board Statement 43, the City accrues a liability for compensated absences.

## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE G - COMPENSATED ABSENCES (Continued)

For governmental funds the liability for compensated absences is recorded in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types (Enterprise and Internal Service Funds) as accrued liabilities in accordance with FASB Statement 43.

Specifically, the various contracts and agreements covering the City's personnel allow for the vesting and/or accumulation of sick leave as follows:

	<u>Accumulated</u>	<u>Vested</u>
Firemen	\$101,890	\$ -
Police	156,342	26,823
City Hall Office	68,513	-
Other City Employees	<u>199,249</u>	<u>6,709</u>
TOTALS	<u>\$525,994</u>	<u>\$33,532</u>

#### NOTE H - TAX INCREMENT FINANCING AUTHORITY

Pursuant to applicable Michigan statutes the Iron Mountain City Council passed a resolution on May 20, 1985 creating a Tax Increment Financing Authority City which covers an area of approximately 1,300 acres along the highway U.S. 2 corridor from the south to the north city limits. Its purpose is to generate revenue (as discussed below) and to expend such amounts within the City for improvements to streets, curbs, sidewalks, and sewers.

The Authority's intended source of funding is property taxes levied within the City but only to the extent that such taxes are generated as a result of an increase in the total state equalized value since the established property evaluation base date of January 1, 1985. Accordingly, the Authority's first revenues received were from the July and December, 1985, tax billings.

#### NOTE I - WATER AND SEWER AGREEMENTS

The City has a long-term agreement with the Iron Mountain-Kingsford Joint Sewage Authority for sewage treatment. The agreement is established by ordinance (Chapter 3 Article 2) which provides for sewer rates, minimum monthly charges and a collection fee to be retained by the City for billing services provided. These rates can be adjusted periodically through ordinance amendments.

#### NOTE J - POST EMPLOYMENT HEALTH INSURANCE BENEFITS

In addition to providing pension benefits, the City provides health insurance benefits for its retired employees. Substantially all of its employees may become eligible for those benefits if they reach normal retirement age while working for the City. The cost of retiree's health care insurance is recognized as an expenditure as insurance premiums are paid. For fiscal 2008, the cost was \$265,022 for Police and Fire Retirees and \$346,797 for other retirees. The employees contributions amounted to \$2,560.

## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(Continued)

#### NOTE K - RISK MANAGEMENT

The City of Iron Mountain is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Iron Mountain maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### NOTE L - RESERVED AND DESIGNATED FUND BALANCES AND OTHER EQUITY

The City has reserved and designated fund balances or retained earnings at June 30, 2008 as follows:

**General Fund:**

1. An amount equal to inventory, a nonappropriable asset.	\$43,380
2. Funds earmarked for a police liaison officer.	7,256
3. An amount equal to delinquent property taxes receivable. These delinquent taxes, if collectible, are not expected to be substantially collected within one year.	6,230
4. Fire safety house	<u>5,676</u>
<b>TOTAL</b>	<b><u>\$62,542</u></b>

**Debt Service Funds:**

1991/1993 T.I.F.A. Bonds - Reserved Fund Balance - \$1,771,783; an amount to be used for future servicing of general obligation debt.

**Capital Improvement Fund:**

Designated Fund Balance - \$262,059; an amount equal to the fund's equity intended for future budgeted capital projects pursuant to a ten year plan.

**Water Capital Improvement Fund:**

Designated Fund Balance - \$665,773; an amount equal to the fund's equity intended for future budgeted water system construction projects.

**Water Utility Fund:**

Designated Retained Earnings - \$7,996,282; an amount retained for future operations and capital expenditures.

**Sewer Fund:**

Designated Retained Earnings - \$602,356; an amount retained for future operations and capital expenditures.



**CITY OF IRON MOUNTAIN**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

(Continued)

**NOTE L – RESERVED AND DESIGNATED FUND BALANCES AND OTHER EQUITY  
(Continued)**

**Motor Vehicle Fund:**

Designated Retained Earnings - \$1,189,444 an amount retained for future operations and capital expenditures.

**Cemetery Perpetual Care Trust Fund:**

Reserved Fund Balance - \$465,440; non-expendable accumulated proceeds of cemetery perpetual care leases sold.

**Retirees' Health Insurance Fund:**

Reserved Fund Balance - \$205,310, an amount which will be used to pay retirees health insurance premiums.

**Police and Firemen's Pension Trust Fund:**

Reserved Fund Balance - \$7,530,865; legally restricted for payments to retirees or active participants (upon withdrawal).

Additionally, the fund balances of the Tax Increment Financing Authority, \$1,963,211; and the Downtown Development Authority, \$106,174 as presented herein are reflected as being reserved as they represent amounts which have been restricted for use in budgeted capital projects.

**NOTE M - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, as amended, provides that a City shall not incur expenditures in excess of amounts appropriated. The City budgeted expenditures on a functional basis.

During the year ended June 30, 2008, the City did not incur expenditures which were in excess of the amounts appropriated.

**NOTE N – SUBSEQUENT EVENTS**

The market value of the investments in the Police and Fire Pension Fund was \$6,242,233 at October 31, 2008 compared to \$7,541,435 at June 30, 2008, which was a 17% decrease.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

# CITY OF IRON MOUNTAIN

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis) (Note A)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
General property taxes	\$ 3,228,640	\$ 3,231,640	\$ 3,221,155	\$ (10,485)
Licenses and permits	122,600	103,600	105,020	1,420
State grants	872,000	872,000	870,126	(1,874)
Federal grants	7,000	1,500	4,384	2,884
Charges for services	264,300	250,300	254,936	4,636
Local sources	45,500	35,500	28,967	(6,533)
Fines and forfeits	20,000	26,500	28,116	1,616
Interest income	50,500	54,500	61,467	6,967
Rental income	40,000	25,000	12,730	(12,270)
Other	116,543	100,543	101,704	1,161
<b>TOTAL REVENUES</b>	<b>4,767,083</b>	<b>4,701,083</b>	<b>4,688,605</b>	<b>(12,478)</b>
<b>EXPENDITURES:</b>				
Legislative	18,370	18,370	14,598	3,772
General government	945,786	925,786	920,326	5,460
Public safety	2,410,177	2,443,177	2,388,707	54,470
Public works	813,980	797,080	758,429	38,651
Park and recreation	93,010	100,010	95,518	4,492
Debt service	27,892	27,892	27,891	1
Other	455,357	488,957	488,884	73
<b>TOTAL EXPENDITURES</b>	<b>4,764,572</b>	<b>4,801,272</b>	<b>4,694,353</b>	<b>106,919</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,511</b>	<b>(100,189)</b>	<b>(5,748)</b>	<b>94,441</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	45,709	45,709	43,439	(2,270)
Operating transfers out	(110,000)	(110,000)	(110,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(64,291)</b>	<b>(64,291)</b>	<b>(66,561)</b>	<b>(2,270)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(61,780)</b>	<b>(164,480)</b>	<b>(72,309)</b>	<b>92,171</b>
<b>FUND BALANCE, JULY 1</b>	<b>917,211</b>	<b>917,211</b>	<b>917,211</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 855,431</b>	<b>\$ 752,731</b>	<b>\$ 844,902</b>	<b>\$ 92,171</b>

The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF IRON MOUNTAIN

## **SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL MAJOR STREET**

For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
State grants	\$ 535,000	\$ 667,000	\$ 538,429	\$ (128,571)
Federal grants	-	-	131,977	131,977
Interest income	23,600	23,600	24,949	1,349
Other	1,000	1,000	6,962	5,962
<b>TOTAL REVENUES</b>	<b>559,600</b>	<b>691,600</b>	<b>702,317</b>	<b>10,717</b>
<b>EXPENDITURES:</b>				
Public works	488,690	683,690	665,229	18,461
Other	14,760	14,760	14,760	-
<b>TOTAL EXPENDITURES</b>	<b>503,450</b>	<b>698,450</b>	<b>679,989</b>	<b>18,461</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>56,150</b>	<b>(6,850)</b>	<b>22,328</b>	<b>29,178</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(175,000)	(175,000)	(175,000)	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(118,850)</b>	<b>(181,850)</b>	<b>(152,672)</b>	<b>29,178</b>
<b>FUND BALANCE, JULY 1</b>	<b>547,501</b>	<b>547,501</b>	<b>547,501</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 428,651</b>	<b>\$ 365,651</b>	<b>\$ 394,829</b>	<b>\$ 29,178</b>

The accompanying notes to the financial statements are an integral part of this statement.



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
LOCAL STREET**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State grants	\$ 226,700	\$ 226,700	\$ 238,760	\$ 12,060
Interest income	5,000	5,000	2,937	(2,063)
Other	500	500	5,845	5,345
TOTAL REVENUES	232,200	232,200	247,542	15,342
EXPENDITURES:				
Public works	447,775	447,775	428,740	19,035
Other	14,760	14,760	14,760	-
TOTAL EXPENDITURES	462,535	462,535	443,500	19,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(230,335)	(230,335)	(195,958)	34,377
OTHER FINANCING SOURCES (USES):				
Operating transfers in	175,000	175,000	175,000	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(55,335)	(55,335)	(20,958)	34,377
FUND BALANCE, JULY 1	94,092	94,092	94,092	-
FUND BALANCE, JUNE 30	\$ 38,757	\$ 38,757	\$ 73,134	\$ 34,377

The accompanying notes to the financial statements are an integral part of this statement.



OTHER  
SUPPLEMENTAL  
INFORMATION

# **CITY OF IRON MOUNTAIN**

## **COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2008

	Capital Improvement	Water Capital Improvement	Downtown Development Authority	Total Nonmajor Governmental Funds
<b>ASSETS:</b>				
Cash and equivalents	\$ 141,984	\$ 177,507	\$ 108,914	\$ 428,405
Investments	98,491	482,985	-	581,476
Receivables:				
Taxes	-	-	392	392
Accounts	54,319	-	7,917	62,236
Interest & dividends	421	5,666	-	6,087
Prepaid expenses			35	35
<b>TOTAL ASSETS</b>	<b>\$ 295,215</b>	<b>\$ 666,158</b>	<b>\$ 117,258</b>	<b>\$ 1,078,631</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 33,156	\$ 385	\$ 9,934	\$ 43,475
Accrued wages	-	-	669	669
Other accrued expenses	-	-	268	268
Due to other funds	-	-	213	213
<b>TOTAL LIABILITIES</b>	<b>33,156</b>	<b>385</b>	<b>11,084</b>	<b>44,625</b>
<b>FUND BALANCE AND OTHER CREDITS:</b>				
Fund balances:				
Reserved	-	-	106,174	106,174
Unreserved:				
Designated	262,059	665,773	-	927,832
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<b>262,059</b>	<b>665,773</b>	<b>106,174</b>	<b>1,034,006</b>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<b>\$ 295,215</b>	<b>\$ 666,158</b>	<b>\$ 117,258</b>	<b>\$ 1,078,631</b>

The accompanying notes to the financial statements are an integral part of this statement.



**CITY OF IRON MOUNTAIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2008

	Capital Improvement	Water Capital Improvement	Downtown Development Authority	Total Nonmajor Governmental Funds
REVENUES:				
General property taxes	\$ -	\$ -	\$ 37,644	\$ 37,644
State grants	49,629	-	-	49,629
Federal grants	13,204	-	7,852	21,056
Interest income	9,575	27,982	3,781	41,338
Other	(1,509)	(15,295)	63,837	47,033
TOTAL REVENUES	70,899	12,687	113,114	196,700
EXPENDITURES:				
General government	-	-	90,961	90,961
Parks and recreation	68,306	-	-	68,306
TOTAL EXPENDITURES	68,306	-	90,961	159,267
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,593	12,687	22,153	37,433
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	75,000	10,000	85,000
Operating transfers out	-	(14,109)	-	(14,109)
TOTAL OTHER FINANCING SOURCES (USES)	-	60,891	10,000	70,891
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2,593	73,578	32,153	108,324
FUND BALANCE, JULY 1	259,466	592,195	74,021	925,682
FUND BALANCE, JUNE 30	\$ 262,059	\$ 665,773	\$ 106,174	\$ 1,034,006

The accompanying notes to the financial statements are an integral part of this statement.



**SCHEDULES OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**

**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
TAX INCREMENT FINANCING AUTHORITY**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
General property taxes	\$ 2,175,000	\$ 1,965,619	\$ (209,381)
Federal grants	-	31,432	31,432
Interest income	75,000	129,526	54,526
Other	-	26,119	26,119
TOTAL REVENUES	2,250,000	2,152,696	(97,304)
EXPENDITURES:			
Public works	<u>2,083,500</u>	<u>670,986</u>	<u>1,412,514</u>
EXCESS OF REVENUES OVER EXPENDITURES	166,500	1,481,710	1,315,210
OTHER FINANCING SOURCES (USES):			
Operating transfers out	<u>(754,952)</u>	<u>(658,909)</u>	<u>96,043</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (588,452)</u>	<u>\$ 822,801</u>	<u>\$ 1,411,253</u>

**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
T.I.F.A DEBT RETIREMENT**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Interest income	\$ 69,100	\$ 77,288	\$ 8,188
Other	<u>-</u>	<u>13,779</u>	<u>13,779</u>
TOTAL REVENUES	69,100	91,067	21,967
EXPENDITURES:			
Debt service	<u>646,800</u>	<u>646,802</u>	<u>(2)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(577,700)	(555,735)	21,965
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>646,800</u>	<u>646,800</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 69,100</u>	<u>\$ 91,065</u>	<u>\$ 21,965</u>

**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
CAPITAL IMPROVEMENT FUND**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
State grants	\$ 49,500	\$ 49,629	\$ 129
Federal grants	13,204	13,204	-
Interest income	13,000	9,575	(3,425)
Other	-	(1,509)	(1,509)
<b>TOTAL REVENUES</b>	<b>75,704</b>	<b>70,899</b>	<b>(4,805)</b>
EXPENDITURES:			
Park and recreation	<u>96,000</u>	<u>68,306</u>	<u>27,694</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ (20,296)</u></b>	<b><u>\$ 2,593</u></b>	<b><u>\$ 22,889</u></b>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
DOWNTOWN DEVELOPMENT AUTHORITY**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
General property taxes	\$ 37,861	\$ 37,644	\$ (217)
Federal grants	-	7,852	7,852
Interest income	1,000	3,781	2,781
Other	<u>15,000</u>	<u>63,837</u>	<u>48,837</u>
TOTAL REVENUES	53,861	113,114	59,253
EXPENDITURES:			
General government	<u>107,850</u>	<u>90,961</u>	<u>16,889</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(53,989)	22,153	76,142
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>20,000</u>	<u>10,000</u>	<u>(10,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (33,989)</u>	<u>\$ 32,153</u>	<u>\$ 66,142</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
WATER CAPITAL IMPROVEMENT FUND**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Interest income	\$ 28,000	\$ 27,982	\$ (18)
Other	<u>-</u>	<u>(15,295)</u>	<u>(15,295)</u>
TOTAL REVENUES	28,000	12,687	(15,313)
EXPENDITURES:			
Capital improvements	<u>127,500</u>	<u>-</u>	<u>127,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(99,500)</u>	<u>12,687</u>	<u>112,187</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	75,000	75,000	-
Operating transfers out	<u>-</u>	<u>(14,109)</u>	<u>(14,109)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,000</u>	<u>60,891</u>	<u>(14,109)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (24,500)</u>	<u>\$ 73,578</u>	<u>\$ 98,078</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
WATER UTILITY FUND**

For the Year Ended June 30, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Metered sales	\$ 1,340,400	\$ 1,356,208	\$ 15,808
Water service	25,500	23,944	(1,556)
Interest income	46,600	82,020	35,420
Other revenues	6,600	6,185	(415)
Contributions in aid of construction	-	138,580	138,580
TOTAL REVENUES	<u>1,419,100</u>	<u>1,606,937</u>	<u>187,837</u>
EXPENDITURES:			
Production	101,125	68,023	33,102
Distribution	306,250	237,674	68,576
Administration	298,527	283,746	14,781
Collection	121,150	96,002	25,148
Debt service	210,915	212,849	(1,934)
Other services and charges	97,330	97,330	-
Depreciation	185,000	176,185	8,815
Transfers out	75,000	75,000	-
TOTAL EXPENDITURES	<u>1,395,297</u>	<u>1,246,809</u>	<u>148,488</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 23,803</u>	<u>\$ 360,128</u>	<u>\$ 39,349</u>
MEMO ONLY:			
Capital expenditures	<u>\$ 435,842</u>	<u>\$ 251,654</u>	<u>\$ 184,188</u>
Debt principal	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ -</u>

**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
SEWER FUND**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Sewer service	\$ 198,000	\$ 307,831	\$ 109,831
Permits	2,000	160	(1,840)
Interest income	500	-	(500)
Other revenues	16,000	411	(15,589)
Contributions in aid of construction	-	171,701	171,701
Federal/State grants	10,000	-	(10,000)
 TOTAL REVENUES	 <u>226,500</u>	 <u>480,103</u>	 <u>253,603</u>
EXPENDITURES:			
Maintenance/ Distribution	168,430	112,084	56,346
Depreciation	3,500	9,444	(5,944)
Other expenses	10,692	11,554	(862)
 TOTAL EXPENDITURES	 <u>182,622</u>	 <u>133,082</u>	 <u>49,540</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>\$ 43,878</u>	 <u>\$ 347,021</u>	 <u>\$ 204,063</u>
MEMO ONLY:			
Capital expenditures	<u>\$ 107,500</u>	<u>\$ 205,226</u>	<u>\$ (97,726)</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL -  
MOTOR VEHICLE & EQUIPMENT FUND**

For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Rent	\$ 478,313	\$ 569,993	\$ 91,680
Other revenues	2,500	17,821	15,321
Interest earnings	-	265	265
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
 TOTAL REVENUES	 <u>580,813</u>	 <u>688,079</u>	 <u>107,266</u>
EXPENDITURES:			
Operations and maintenance	517,077	523,021	(5,944)
Debt service	26,243	24,677	1,566
Depreciation	156,000	144,722	11,278
Other expenses	<u>16,468</u>	<u>-</u>	<u>16,468</u>
 TOTAL EXPENDITURES	 <u>715,788</u>	 <u>692,420</u>	 <u>23,368</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>\$ (134,975)</u>	 <u>\$ (4,341)</u>	 <u>\$ 83,898</u>
MEMO ONLY:			
Capital expenditures	<u>\$ 62,300</u>	<u>\$ 8,284</u>	<u>\$ 54,016</u>
 Debt principal	 <u>\$ 83,793</u>	 <u>\$ 74,357</u>	 <u>\$ 9,436</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**OTHER REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the City Council  
City of Iron Mountain  
Iron Mountain, Michigan

We have audited the financial statements of City of Iron Mountain as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Iron Mountain's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Iron Mountain's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Iron Mountain's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Iron Mountain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

This report is intended solely for the information and use of the audit committee, management and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co. PLC*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

December 4, 2008



**CITY OF IRON MOUNTAIN**

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2008

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**Finding 2008-1**

**Reportable Condition:**

There is a lack of segregation of duties relative to preparation and posting of journal entries.

**Criteria:**

The Michigan Department of Treasury requires the City to have effective internal controls and accountability must be maintained for all funds. To ensure effectiveness of internal control, adequate procedures should exist among those who perform accounting procedures and internal control activities over the financial records of the City. Internal control procedures should be such that there is a reduced risk of error and misstatements would be prevented or detected timely.

**Condition:**

The City did not have any review procedures over the preparation and posting of journal entries.

**Questioned Costs:**

None

**Effect:**

With adequate and effective internal control policies and procedures, the risk of errors or misstatements would be prevented or timely detected.

**Cause:**

Lack of segregation of duties and/or compensating controls over journal entries.

**Recommendation:**

The City should adopt policies and procedures that would require all non-standard journal entries to be reviewed and approved by someone independent of the Chief Financial Officer.

**Management's Response:**

The City will implement a policy that would require all journal entries in excess of an established threshold, to be determined by the City Manager, to be reviewed and authorized.

CITY OF IRON MOUNTAIN

**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2008

**FINDINGS -- FINANCIAL STATEMENT AUDIT - continued**

**SIGNIFICANT DEFICIENCIES**

**Finding 2008-2**

**Reportable Condition:**

The City did not have a formal fraud policy in place.

**Criteria:**

The Michigan Department of Treasury requires the City to have effective internal controls and accountability must be maintained for all funds. To ensure effectiveness of internal control, adequate procedures should exist among those who perform accounting procedures and internal control activities over the financial records of the City. Internal control procedures should be such that there is a reduced risk of error and misstatements would be prevented or detected timely.

**Condition:**

The City did not have a formal fraud policy in place.

**Questioned Costs:**

None

**Effect:**

With adequate design and implementation of a formal fraud policy, there is a reduced risk of error or other intentional activities that could have a material affect on the financial statements.

**Cause:**

No implementation of a formal fraud policy.

**Recommendation:**

The City should adopt a formal fraud policy in accordance with the implementation guide included with the Statement of Auditing Standards No. 99.

**Management's Response:**

The City agrees with formally adopting a fraud policy as recommended.